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INFO MERCOSUR COLLECTIVE  
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SUBJECT: Chile's Energy Highlights -- November-December 2009

REF: 09 SANTIAGO 1180; 09 SANTIAGO 1200; 09 SANTIAGO 1148

11. (SBU) Summary: This cable provides highlights of activity in the Chilean energy sector during November and December 2009. Chile participated in the United Nations meetings on climate change in Copenhagen and made a voluntary commitment to reduce emissions 20 percent below business as usual by 2010. In November, Chile passed landmark legislation to create a ministry of energy. Implementing regulations for Chile's renewable energy law were published on December 1, but some electricity generators would like to see the government expand the regulations to take other energy-saving initiatives into account. Chilean officials hosted a solar "road show" to outline requirements in bid solicitations for a 500-KW photovoltaic (PV) and a 10-MW concentrating solar power plant in Chile's northern desert. Chile launched a new energy efficiency campaign called "Join the Good Energy of Chile" and the government authorized future natural gas exports to Argentina and other countries in the region. The country's year-on-year electricity output increased in October and decreased in November. End summary.

Chile Attends Copenhagen Summit - Announces Voluntary 20 Percent Emissions Reduction

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12. (SBU) In December 2009, Minister of Environment Ana Lya Uriarte headed the Chilean delegation to Copenhagen, where she announced Chile would voluntarily reduce its greenhouse gas emissions 20 percent below "business as usual" (BAU) by 2020 in the electricity, mining, transport, and other energy-intensive industrial sectors. Echoing what she told the Ambassador prior to Copenhagen (ref a), Uriarte claimed Chile's goal will be achieved using domestic resources. Subsequently, Waldemar Coutts, Deputy Director of the Ministry of Foreign Affairs Environmental Directorate, and Alvaro Sapag, the Executive Director of the National Environmental Commission (CONAMA), admitted that there is still an internal GOC debate on the baseline year to calculate BAU and intimated that the Ministries of Energy and Finance are being cautious about committing the country to a target.

Law Creates New Ministry of Energy

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13. (SBU) For the past several decades Chile has not had a ministry of energy and, whenever the country has confronted an energy crisis, it appointed a minister of energy. Since his appointment in 2007, Energy Minister Marcelo Tokman has been a minister without a ministry, forced to rely on the resources of

Chile's National Energy Commission (CNE) and his powers of persuasion within the GOC's interagency processes to develop and implement energy policy. In November 2009, the GOC enacted legislation to create a new ministry of energy. President Michelle Bachelet, accompanied by the Ministers of Energy, Mining (Santiago Gonzalez) and Deputy Ministry of Economy (Jean Jacques Duhart), signed the decree promulgating the authorizing legislation on November 25. Tokman noted "the new ministry will not be the answer to all problems and challenges the sector faces, but is the basis for finding the best solutions to the complexities confronting our society."

¶4. (U) The new Ministry of Energy, which will consolidate the Superintendency of Electricity, the CNE, and the Chilean Nuclear Energy Commission (CChEN), will establish long-term energy policies covering the electricity sector, gas, oil, geothermal, and nuclear energy focused on diversifying the country's electricity matrix, developing renewable energy, and promoting energy efficiency. Institutionally, this will consolidate functions previously scattered among different ministries and agencies. The ministry's efforts will be supported by the newly-created Chilean Energy Efficiency Agency -- formerly the Programa Pais de Eficiencia Energetica (PPEE) -- and the Renewable Energy Center Chile launched in August 2009.

Solar "Road Show" Outlines Bid Solicitations for Two Solar Pilot Plants

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¶5. (U) On December 4, 2009, Energy Minister Tokman and Executive Vice President of Chile's development agency (CORFO) Carlos Alvarez hosted an event to outline bid solicitations (required documentation, eligibility and selection criteria, technology transfers, etc.) for a 500-KW photovoltaic (PV) farm in San Pedro de Atacama and a 10-MW pilot concentrating solar power plant also to be located in Chile's northern desert region. Alvarez stressed the initiative is a joint effort among the CNE, which framed the projects, and CORFO, which will provide \$15 million in subsidies, and the private sector, which will provide other funding and technological assistance. More than 130 representatives of national and international companies, including Mitsubishi, Siemens, ENEL, Acciona, Endesa, and Abengoa attended the solar "road show"

([www.cne.cl/cnewww/opencms/05\\_Public\\_Estudios/Road\\_Show\\_Solar/Road\\_Show\\_solar.html](http://www.cne.cl/cnewww/opencms/05_Public_Estudios/Road_Show_Solar/Road_Show_solar.html))

¶6. (U) This initiative involves the Antofagasta Regional Government, which will finance changes to the electrical system to accommodate the PV plant, the municipality of San Pedro de Atacama, which will provide land for the project, and the local electric cooperative, which will purchase energy at subsidized prices. According to CNE sources, the requests for proposals for both projects will be published in February 2010.

Implementing Regulations for Renewable Energy Law Take Effect  
January 1

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¶7. (U) On December 1, 2009, the CNE published regulations, that came into effect January 1, 2010, implementing Chile's 2008 renewable energy law (Law 20.257) which requires electricity generators produce five percent of their energy from renewable sources by 2014, and ten percent by 2024. The regulations mandate monthly public reporting of output from renewable sources, transfers of surplus between firms, and pending fines for non-compliance. They also outline procedures for verifying power supply contracts and compliance with obligations, as well as permissible accounting mechanisms. In statements to the press, the CEO of Empresa Electrica del Norte Grande (EDELNOR), Juan Claveria, claimed Chile's electricity generators want the decree expanded to take into account other energy-saving initiatives, i.e., biomass use in coal-fired thermoelectric plants or the use of discharged

water from thermoelectric plants for hydroelectric generation.

#### Chile Authorizes Gas Exports to Argentina

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¶8. (SBU) In an interesting reversal of roles, Chile's Finance Ministry issued a decree allowing natural gas exports to Argentina (which, in recent years, has drastically reduced gas exports to Chile), and other countries in the region. According to the decree, which also amends the customs regulations for the export of liquid and gaseous fuel, Chile's construction of liquefied natural gas (LNG) receiving and regasification terminals make it economically feasible for the country to export natural gas. [Note: Chile launched the Quintero LNG terminal in 2009 and projects opening another LNG terminal in 2010. End note.] Minister of Energy Tokman indicated Chile would be a transit country, therefore gas would not actually be "exported" and export taxes or value-added tax (VAT) do not apply. Chile may start selling gas to Argentina in 2010 or 2011, according to the Director of Chile's national oil company (ENAP).

#### New Service Fees Associated With Power Supply

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#### ¶9. (U) Under a provision of the General Law of Electricity

Services, services beyond supplying energy provided by electric distribution companies are subject to a regulated price structure, which is reviewed during a tariff-setting process conducted every 4 years. The CNE pricing process for the November 2008 - November 2012 period set new prices for 24 services, e.g., meter rental, service and replacement of equipment, paying bills late, etc. These will take effect immediately after publication of the tariff sheets by distribution companies.

#### CNE Launches Energy Efficiency Campaign - "Join the Good Energy of Chile"

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¶10. (U) Recognizing the need to incorporate energy efficiency into the country's consciousness and production processes, the CNE and Chile's National Energy Efficiency Program (PPEE) launched a new campaign called "Join the Good Energy of Chile" in October 2009. PPEE Director Andres Romero said "the idea of this campaign is to reinforce the concept of energy efficiency as a culture to be installed long-term in the minds and behavior of Chileans...and not only a necessity in times of crisis." PPEE also created a new website -- [www.buenaenergia.cl](http://www.buenaenergia.cl) -- to provide information on its programs and energy efficiency in general.

¶11. (U) As part of the campaign, by the end of 2010, the CNE would like to introduce more than 6,000 high-efficiency electric motors -- electricity savings of around ten percent per motor/year -- with the aim of encouraging increased energy efficiency in industry. According to the CNE, the industrial sector accounts for 22% of Chile's total electricity consumption, 70% of which is due to electric motors. The project incentivizes small and medium enterprises to purchase more efficient 1-10 horsepower motors by providing a rebate of the price difference between the more and less efficient engines. The launch at PPEE's office was hosted by Energy Minister Tokman and PPEE Director Romero, along with representatives from various companies supporting the effort: Electricworks General Manager, Roberto Matta; Hochschild's Business Manager, Carlos Sabugal; Weg Commercial Director, John Andrew Elijah; and Siemens' General Manager in Chile, Edwin Chavez Lureye, among others. Acknowledging the need for domestic industry to maintain competitiveness while reducing energy use and greenhouse gas emissions, Tokman stated, "We believe that the introduction of

6,000 fuel-efficient engines can achieve savings of 4.8 GWh per year which translates into a reduction of approximately 2,600 tons of CO2 a year."

#### GOC Continues to Study Nuclear Energy Option

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¶12. (U) Continuing a process started in 2007 to assess the economic, social, and environmental benefits, costs, risks, and impacts of developing nuclear electricity generation in Chile, the CNE released findings from a fourth government-commissioned study in December 2009. Similar to previous reports, the study concluded nuclear plants can provide large blocks of power with minimal environmental impacts and recommended that, if Chile chooses to develop a nuclear program, it must have a national regulatory authority independent of other energy sector players. [Note/comment: On January 28, Tokman is hosting a seminar on "Nuclear Electricity in Chile: How Far? How Close?" to present the government's progress in evaluating the nuclear power option and analyzing environmental, nuclear safety, and radiological security concerns ([www.cne.cl/cnewww/opencms/12\\_Utiles/nucleo\\_electricidad/index.html](http://www.cne.cl/cnewww/opencms/12_Utiles/nucleo_electricidad/index.html)). It is likely the debate on nuclear energy will continue because president-elect Sebastian Pinera said during his campaign he would consider developing nuclear energy (ref b) and Pinera's energy advisor, Ricardo Rainieri, publicly commented on January 28 that the new administration would continue to study the issue and consider technical preparations, but was not yet committing to make a decision. End note/comment.]

#### Year-on-Year Electricity Output Increased in October and Decreased in November

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¶13. (U) According to Chile's national statistics institute (INE), there was a 0.3% increase year-on-year to 4,947 GWh in October 2009, and a 0.1% decrease year-on-year to 4,798 GWh in November 2009.

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